

Message Text

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44

ACTION EB-07

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TO SECSTATE WASHDC PRIORITY 8208

INFO AMCONSUL MEDELLIN

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EO 11652: NA

TAGS: ETRD CO

SUBJ: TEXTILE NEGOTIATIONS - STATISTICAL DISCREPANCY

1. FULL TEXT NOW AVAILABLE OF EDITORIAL IN WEEKLY "NUEVA FRONTERA" REPORTED REFTEL. "MONSTROUS SCANDAL" REFERRED TO IS NOT RPT NOT IN RELATION TO US-COLOMBIAN TEXTILE NEGOTIATIONS AS SUCH, AS SOME NEWSPAPER REPORTS HAD INDICATED, BUT RATHER CONCERNS ENORMOUS DIFFERENCES BETWEEN COLOMBIAN EXPORT STATISTICS AND US IMPORTS. ACCORDING TO THE MAGAZINE THE FRAUD PROBABLY INVOLVED FICTITIOUS EXPORTS BOTH FOR THE PURPOSE OF COLLECTING TAX CREDIT CERTIFICATES WHICH LAST YEAR WERE EQUAL TO 15 PERCENT OF THE VALUE OF EXPORTS, AND TO DISGUISE THE ENTRY INTO COLOMBIA OF FOREIGN EXCHANGE OF DUBIOUS ORIGIN.

2. PRESIDENT LOPEZ IS QUOTED AS COMPLAINING ABOUT NEWSPAPER REPORTS OF THE "NUEVA FRONTERA" EDITORIAL, DENYING THAT THERE IS ANY FRAUD IN THE BILATERAL NEGOTIATIONS. THERE WAS AGREEMENT IN THE NEGOTIATION BETWEEN US AND COLOMBIA, HE SAID, BUT ON COMPARING FIGURES IT WAS FOUND THAT THEY VARIED. HE ADDED THAT THE PROCESS

CONTINUES ON ITS NORMAL COURSE.

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3. MINISTER OF ECONOMIC DEVELOPMENT RAMIREZ ISSUED A STATEMENT SAYING

FICTITIOUS EXPORTS HAVE BEEN PUBLICLY DENOUNCED AND UNDER INVESTIGATION FOR SOME TIME. BETWEEN JANUARY AND JULY OF LAST YEAR THERE WERE US\$95.3 MILLION OF FALSE EXPORTS, INCLUDING \$32 MILLION IN MADE-UP GOODS AND \$27.6 MILLION IN "OTHER CATEGORIES OF FURNITURE AND MADE-UP GOODS". NONE OF THE EXPORTERS WERE SERIOUS FIRMS AND OFTEN EXPORTERS AS WELL AS THE EXPORTS WERE FICTITIOUS. THE FALSE EXPORTS WERE REGISTERED FOR SHIPMENT TO CARIBBEAN COUNTRIES IN MOST CASES, WITH ONLY \$200,000 OF THE \$95.3 MILLION TOTAL SUPPOSEDLY DESTINED FOR THE US. THE STATISTICAL DISCREPANCY BETWEEN THE US AND COLOMBIA IS THUS NOT ATTRIBUTABLE TO FICTITIOUS EXPORTS, RATHER TO CLASSIFICATED DIFFERENCES. THE MINISTER'S STATEMENT ALSO REITERATES THAT THE BILATERAL NEGOTIATIONS ARE IN PROGRESS AND THAT NEXT WEEK A GROUP OF US DEPARTMENT OF COMMERCE EXPERTS IS COMING TO BOGOTA FOR THE PURPOSE OF RECONCILING THE STATISTICAL DIFFERENCES.

4. PRESIDENT OF NATIONAL ASSOCIATION OF INDUSTRIALISTS(ANDI) AGREED THAT FICTITIOUS EXPORTS WERE REGISTERED FOR SHIPMENT TO THE CARIBBEAN RATHER THAN THE US. THEREFORE, HE SAID, THEY HAVE NOTHING TO DO WITH THE US-COLOMBIAN TEXTILE NEGOTIATIONS.

5. "OFFICIAL SOURCES" ARE CITED FOR ANOTHER REPORT THAT AN IMPORTANT FACTOR IS THE DISCREPANCY IN THE VOLUME OF COLOMBIAN TEXTILE IMPORTS AND MADE-UP GOODS EXPORTS, WHICH EXPLAINS AT LEAST IN PART THE DIFFER-

ENCES FOR THE EARLY MONTHS OF LAST YEAR. SIMILARLY, A REPORT FROM MEDELLIN, COLOMBIA'S TEXTILE INDUSTRY CENTER, IDENTIFIES THE PROBLEM AS ORIGINATING WITH A CHANGE IN COLOMBIA'S PLAN VALLEJO, THE SYSTEM UNDER WHICH MATERIALS AND PARTS ARE IMPORTED DUTY FREE FOR ASSEMBLY OR PROCESSING AND REEXPORTATION. THE CHANGE WAS TO ALLOW UNCUT ROLLS OF CLOTH SUCH DUTY FREE IMPORTATION. AT LEAST HALF, IT IS ALLEGED, WAS NOT REEXPORTED TO THE US; INSTEAD HAVING BEEN IMPORTED FOR HALF ITS DUTY PAID VALUE WITHIN COLOMBIA, IT WAS SOLD DOMESTICALLY OR EXPORTED TO THIRD COUNTRIES AS OF WHOLLY COLOMBIAN ORIGIN.

5. COMMENT: FICTITIOUS EXPORT SCANDAL FROM LAST YEAR IS WELL KNOWN, THOUGH MORE IN CONNECTION WITH PRECIOUS STONES THAN TEXTILE PRODUCTS. SINCE THEN ONE INCENTIVE HAS BEEN REDUCED, WITH TAX CREDIT DECREASED FROM 15 PERCENT TO MAXIMUM OF 5 PERCENT OF EXPORT LIMITED OFFICIAL USE

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VALUE. INCENTIVE OF DUTY FREE IMPORTATION UNDER PLAN VALLEJO CONTINUES, IF IN FACT THIS HAS ALSO STIMULATED FALSE EXPORTS, AS DENIED BY MINISTER AND ANDI PRESIDENT BUT ALLEGED BY OTHER INDUSTRY SOURCES. POSSIBILITY THAT IT HAS STIMULATED SOME FRAUD SHOULD SERVE TO PUT COLOMBIANS A LITTLE ON THE DEFENSIVE NEXT WEEK. IN VIEW OF REMARKS BY PRESIDENT LOPEZ AND ECONOMIC DEVELOPMENT MINISTER ABOUT CONTINUING PROGRESS IN US-COLOMBIAN TALKS, WITH LATTER SPECIFICALLY MENTIONING FORTHCOMING VISIT OF US EXPERTS, IT IS IMPORTANT THAT COMMERCE

OFFICIALS COME TO BOGOTA AS SCHEDULED.

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